

**MOTOR VEHICLE DEALER BOARD
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 1999**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

AUDIT SUMMARY

Our audit of the Motor Vehicle Dealer Board for the year ended June 30, 1999, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no material weaknesses in the internal control structure; and
- no instances of noncompliance that are required to be reported.

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AGENCY OFFICIALS

December 16, 1999

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Motor Vehicle Dealer Board** for the year ended June 30, 1999. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Expenditures
Revenues
Fixed Assets

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider to be material weaknesses. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to audit findings reported in the prior year.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on December 17, 1999.

AUDITOR OF PUBLIC ACCOUNTS

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AGENCY BACKGROUND

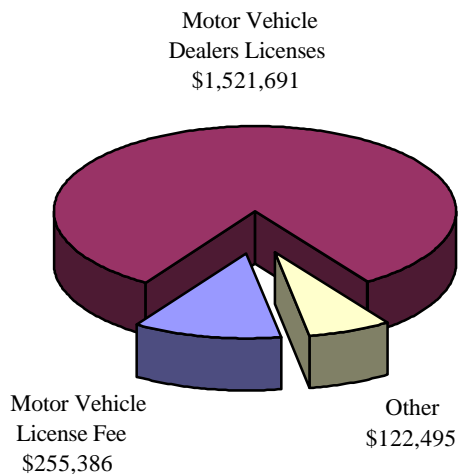
The Motor Vehicle Dealer Board regulates motor vehicle dealers and salespersons. The Dealer Board consists of 16 dealers, one consumer, the Commissioners of the Departments of Agriculture and Consumer Services and Motor Vehicles. The Governor appoints the 16 dealer members to staggered terms. Dealer Board members represent franchised and licensed dealers, the rental and salvage industries, and consumer interests.

The General Assembly exempted the Dealer Board from state procurement and personnel laws. The Department of Motor Vehicles performs many of the Dealer Board's administrative tasks including all of their accounting.

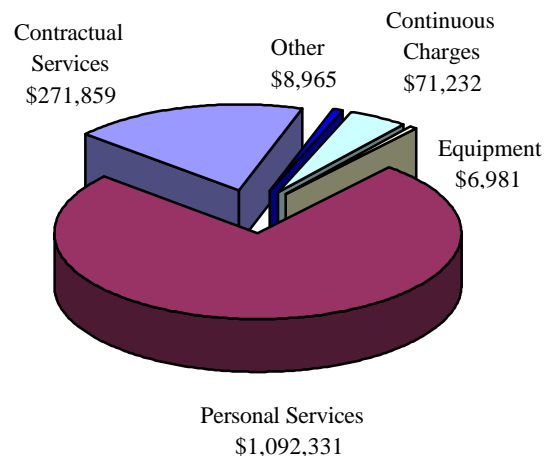
Operating Fund

Services provided by the Dealer Board include approval and issuance of dealer certificates, licenses, and dealer plates. The Dealer Board also provides training and performs field inspections of motor vehicle dealers' business locations to ensure compliance with established regulations. The Dealer Board collected \$1,899,572 in revenues and spent \$1,451,368 to provide these services in fiscal year 1999 as shown in the charts below. The operating fund has accumulated a fund balance of \$1,064,937 as of June 30, 1999. The Motor Vehicle Dealer Board provides services with 13 full-time office staff including the director, four part-time office staff, and 12 full-time field representatives. The Department of Motor Vehicles provides all accounting, information systems, payroll, personnel, and some purchasing services. The Motor Vehicle Dealer Board does not reimburse the Department of Motor Vehicles for these services.

1999 OPERATING REVENUES



1999 OPERATING EXPENDITURES



Transaction Recovery Fund

The Transaction Recovery Fund compensates consumers who have judgements against licensed dealers or salespersons for violations of regulations or fraudulent activity related to a vehicle transaction. The fund consists of fees paid by licensed dealers. Each approved dealer must pay \$250 to the fund for the first 3 years of operation. The Board has eliminated the \$100 renewal fee charged for each year thereafter. The Transaction Recovery Fund had revenue collections of \$441,570, and paid 9 claims totaling \$52,380. The balance in the fund has reached \$3.5 million.

MOTOR VEHICLE DEALER BOARD

Richard D. Holcomb, Chairperson

Margo T. Clarke	Richard D.
J. Carlton Courter	Clyde H. King, Jr.
Frank L. Cowles, Jr.	Krupp
Bobby Joe	Joel W. Lyles
	Larry Matthews, Jr.
Marc D.	Stanford Parris
Heberer, III	Karen C.
Richard C. D. Hunt, III	E. Scott
Leo B. Trenor	

Gould, Executive Director